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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 19, 1999

APPLICATION OF

VIRGINIA MEDICAL MALPRACTICE  
JOINT UNDERWRITING ASSOCIATION

and

CASE NO. INS860166

STABILIZATION RESERVE FUND

For approval of dissolution matters

ORDER SCHEDULING HEARING

On April 15, 1999, the Virginia Medical Malpractice Joint Underwriting Association (the "Association" or "JUA") and the Stabilization Reserve Fund filed an Application asking the Commission to approve certain matters necessary for their dissolution. The Commission previously established a Plan of Dissolution for the Association and this Application is in furtherance of that Plan and includes various measures necessary for both the Association and the Stabilization Reserve Fund to dissolve and to distribute their remaining assets to the Association's current and former policyholders.

The Application requests that the Commission authorize the Association to enter into an Assumption Agreement with American Continental Insurance Company ("American Continental") whereby American Continental will assume the policy liabilities of the

Association, including its 57 policies for which extended reporting period endorsements were purchased, and certain other liabilities and obligations of the Association in exchange for certain assets of the Association.

The Application explains how, after the Association has satisfied all of its liabilities and obligations, the Association plans to transfer its remaining assets to the Stabilization Reserve Fund and for those assets to be subsequently distributed to the Association's policyholders, along with the assets of the Stabilization Reserve Fund that remain after that Fund has disposed of all of its claims, liabilities, and expenses. The Application proposes that the plan of distribution to policyholders be based upon the percentage of the premium and Stabilization Reserve Fund surcharges that each policyholder paid in relationship to the total premiums and Stabilization Reserve Fund surcharges received from all policyholders.

The Application calls for both the Association and the Stabilization Reserve Fund to submit reports to the Commission relating to the disposition of their assets, liabilities, and obligations, including distributions to policyholders. After the final report has been filed indicating that the Association and the Stabilization Reserve Fund have disposed of all of their assets and have satisfied all of their liabilities and

obligations, the Application asks that the Commission issue a certificate dissolving the two entities.

Having considered the Application, the Commission deems it advisable to convene a hearing on this matter and that notice of the Application and hearing should be given to the public and to policyholders. Accordingly,

IT IS ORDERED THAT:

(1) A hearing on the Application shall be set for 10:30 a.m. on June 2, 1999, in the Commission's Second Floor Courtroom, Tyler Building, 1300 East Main Street, Richmond, Virginia.

(2) The Association shall make the Application available to policyholders, who may obtain a copy of the Application, at no charge, by requesting it in writing from the Association's servicing carrier at the address detailed below.

(3) Any person wishing to file objections to the Application or to make a claim in connection with the JUA operations shall do so by filing such objections or claims in writing on or before May 19, 1999, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. INS860166. A copy of such filing shall be sent at the same time to Mary M. Bannister, Deputy Commissioner, Bureau of Insurance, P.O. Box 1157, Richmond, Virginia 23218 and Donald G.

Owens, Esquire, Mays & Valentine, L.L.P., P.O. Box 1122, Richmond, Virginia 23218-1122. Any person making such claims and objections must appear at the June 2, 1999 hearing to address their objections to the Application and to present proof of their claims or otherwise such claims or objections shall be deemed to be waived.

(4) On or before April 30, 1999, the Association shall mail, by first-class mail, a copy of the following notice to each of the Association's current and former policyholders and shall publish that same notice in newspapers that serve the areas of Norfolk, Richmond, Newport News, Roanoke, and Northern Virginia by no later than April 30, 1999:

NOTICE TO CURRENT AND FORMER POLICYHOLDERS  
AND CREDITORS OF THE VIRGINIA MEDICAL  
MALPRACTICE JOINT UNDERWRITING ASSOCIATION

The Virginia Medical Malpractice Joint Underwriting Association (the "JUA") provided medical malpractice insurance to physicians and surgeons, nurse practitioners, nurse midwives, and nurse anesthetists in Virginia from 1986 until 1993. Current and former JUA policyholders and JUA creditors and other claimants are hereby notified that the JUA is winding up its affairs, providing for the transfer and assumption of its policy-related liabilities and certain other liabilities and obligations, and transferring its remaining assets to the Stabilization Reserve Fund for subsequent distribution to current and former policyholders. These actions are taken pursuant to the Plan of Dissolution approved by the Virginia State Corporation Commission by Order dated May 28, 1992, as revised July 8, 1992.

The JUA and Stabilization Reserve Fund have filed an Application requesting that the Virginia State Corporation Commission approve matters involved in their dissolution and the proposed distribution of any remaining assets to current and former policyholders. Among other things, the Application includes the following:

1. Assumption Agreement - The JUA proposes to transfer its policy liabilities (including the extended reporting period endorsements purchased by 57 JUA policyholders) and certain other liabilities and obligations to American Continental Insurance Company in exchange for certain assets of the Association.
2. Plan of Distribution - After disposing of all expenses, claims, and other liabilities, the JUA and Stabilization Reserve Fund propose to distribute any remaining assets to the former and current policyholders of the JUA. The proposed method of distribution would be based on the percentage of premium paid by each policyholder to the Association and their contributions to the Stabilization Reserve Fund in relationship to the total premiums and Stabilization Reserve Fund surcharges received from all policyholders.

The Virginia State Corporation Commission will consider this Application at a hearing scheduled for 10:30 a.m. on June 2, 1999, at its Second Floor Courtroom, 1300 East Main Street, Richmond, Virginia.

Interested parties, including current and former policyholders, creditors, and other persons who did business with the JUA,

who wish to examine the Application may do so at the Commission's Document Control Center, 1300 East Main Street, Richmond, Virginia 23219 between the hours of 8:15 a.m. and 5:00 p.m. Policyholders may also request a copy of the Application from the JUA's servicing carrier, The Medical Protective Company, 5814 Reed Road, Fort Wayne, Indiana 46815.

Any person wishing to file objections to the Application or to make a claim in connection with the JUA operations shall do so by filing such objections or claims in writing on or before May 19, 1999, with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, and shall refer to Case No. INS860166. A copy of such filing shall be sent at the same time to Mary M. Bannister, Deputy Commissioner, Bureau of Insurance, P.O. Box 1157, Richmond, Virginia 23218 and Donald G. Owens, Esquire, Mays & Valentine, L.L.P., P.O. Box 1122, Richmond, Virginia 23218-1122. Any person making such claims and objections must appear at the June 2, 1999 hearing to address their objections to the Application and to present proof of their claims or otherwise such claims or objections shall be deemed to be waived.

(5) The Association shall provide the Commission with proof of the notice required in Ordering Paragraph No. 4 on or before May 19, 1999.